



ARNOLD SCHWARZENEBGER, GOVERNOR

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October 21, 2009

Ms. Michele Meadows
Assistant Director of Administration
Office of Traffic Safety
2208 Kausen Drive, Suite 300
Elk Grove, CA 95758

Dear Ms. Meadows:

Final Report—University of California, Berkeley, School of Public Health, Traffic Safety Center Grant Audit

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its fiscal compliance audit of the University of California, Berkeley's (UC Berkeley), grant agreement AL0813 for the period October 1, 2007 through September 30, 2008.

The enclosed report is for your information and use. UC Berkeley's response to the report observations and our evaluation of the response are incorporated into this final report.

In accordance with Finance's policy of increased transparency, this report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov> within five working days of this transmittal.

If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or John Rogers, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by:

David Botelho, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Ms. Lori Cripps, Director of Extramural Funds Accounting, University of California, Berkeley
Mr. Todd D. Vizenor, Compliance Manager, Extramural Funds Accounting, University of California, Berkeley
Mr. Kelvin Quan, Assistant Dean, Business & Administrative Services, School of Public Health, University of California, Berkeley
Ms. Homa R. Khamisi, Director of Business & Administrative Services, School of Public Health, University of California, Berkeley
Mr. David Ragland, Director, Traffic Safety Center, University of California, Berkeley
Ms. Jill Cooper, Assistant Director, Traffic Safety Center, University of California, Berkeley
Ms. Irene Kan, Project Manager, Mini-Grant Program, Traffic Safety Center, University of California, Berkeley
Ms. Deborah Hrepich, Associate Accounting Analyst, Office of Traffic Safety

A GRANT AUDIT

University of California, Berkeley

Traffic Safety Center

Sobriety Checkpoint Mini-Grant Program

Grant Agreement AL0813

Prepared By:
Office of State Audits and Evaluations
Department of Finance

MEMBERS OF THE TEAM

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Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

Department of Finance
Office of State Audits and Evaluations
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Sacramento, CA 95814
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BACKGROUND

The Business, Transportation, and Housing Agency's Office of Traffic Safety (OTS) is charged with the responsibility of obtaining and distributing federal funds in an effort to carry out the direction of the National Highway Safety Act. The federal funds are designed to mitigate traffic safety problems as defined by the Highway Safety Plan. Currently, there are eight program priority areas earmarked for grant funding: Alcohol and Other Drugs, Occupant Protection, Pedestrian and Bicycle Safety, Emergency Medical Services, Traffic Records, Roadway Safety, Motorcycle Safety, and Police Traffic Services. The OTS allocates funds to local government agencies to implement these programs via grant awards.

The University of California, Berkeley, Traffic Safety Center (UC Berkeley), received a grant from the OTS to administer the Sobriety Checkpoint Mini-Grant Program. The Program's goal was to reduce the number of victims killed and injured in alcohol-involved crashes in participating communities. UC Berkeley administered and coordinated the Program for the OTS during the Winter 2007 and Labor Day 2008 mobilization periods. Checkpoints also took place as necessary outside these time periods. Mini-grant funds were awarded on a competitive basis using several criteria, including performance on previous grants and the value of the funding requested for the proposed activities.

SCOPE

In accordance with an interagency agreement, the Department of Finance, Office of State Audits and Evaluations (Finance), conducted an audit of UC Berkeley's OTS grant listed below.

<u>Grant Agreement</u>	<u>Audit Period</u>	<u>Awarded</u>
AL0813	October 1, 2007 to September 30, 2008	\$4,700,000

The audit objective was to determine whether UC Berkeley's claimed grant expenditures were in compliance with applicable laws, regulations, and grant requirements. In order to design adequate procedures to evaluate fiscal compliance, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

UC Berkeley is responsible for ensuring accurate financial reporting and compliance with applicable laws, regulations, and grant requirements. The OTS is responsible for evaluating the efficiency and effectiveness of program operations.

METHODOLOGY

To determine whether grant expenditures were in compliance with applicable laws, regulations and the grant requirements, we performed the following procedures:

- Interviewed key personnel.
- Obtained an understanding of the grant-related internal controls.
- Examined the grant files.
- Reviewed UC Berkeley's accounting records.
- Determined whether a sample of expenditures were:
 - Allowable
 - Grant-related
 - Incurred within the grant period
 - Supported by accounting records
 - Properly recorded
 - Not double-billed to other OTS grants
- Evaluated whether the goals and objectives required by the grant agreement were met.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with the staff directly responsible for administering the grant funds. The audit was conducted from January 2009 through March 2009.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and recommendations.

Except as noted below, UC Berkeley's grant expenditures were expended in compliance with applicable laws, regulations, and the grant requirements. The claimed, audited, and questioned amounts are presented in Table 1 below. Additionally, two observations were identified as reported below.

Table 1: Schedule of Claimed, Audited, and Questioned Amounts

Grant Agreement AL0813 For the Period October 1, 2007 to September 30, 2008			
Categories	Claimed	Audited	Questioned
Personnel	\$ 188,113	\$ 105,395	\$ 82,718
Contractual Services	3,291,594	3,290,131	1,463
Other Direct Costs	23,908	23,908	0
Travel Expenses	2,042	2,042	0
Total Expenditures	\$ 3,505,657	\$ 3,421,476	\$ 84,181

OBSERVATION 1: UC Berkeley Claimed \$82,213 in Unsupported Personnel Costs

Claimed personnel costs of \$82,213 were based on estimates instead of actual hours worked on the grant. The actual hours worked were not separately tracked or reported. The Office of Traffic Safety Grant Manual, Section 4.4.1, states that personnel costs must be based on documented payrolls and must contain an after-the-fact determination of actual activities worked. Total questioned personnel costs were \$82,718 (\$82,213 + \$505 from Observation 2).

Recommendation: UC Berkeley should develop and implement procedures to ensure personnel costs charged to the grant are based on actual costs incurred. Return the \$82,213 in unsupported personnel costs to OTS.

OBSERVATION 2: UC Berkeley Claimed Ineligible Costs of \$1,968

UC Berkeley claimed \$1,463 in consultant fees and \$505 in personnel overtime costs that benefitted the Click-It-Or-Ticket program instead of the Sobriety Checkpoint Mini-Grant Program. The Code of Federal Regulations Part 220, Appendix A, Section C.4.d (3), requires that if a cost benefits two or more projects or activities, the cost should be allocated to the projects based on the proportional benefit received.

Recommendation: UC Berkeley should establish procedures to ensure costs charged to the grant are allocated to the projects based on the proportional benefit received. Return the \$1,968 in ineligible costs to OTS.

R_{RESPONSE}



ASSOCIATE VICE CHANCELLOR-FINANCE
AND CONTROLLER
2195 HEARST AVENUE, SUITE 130

BERKELEY, CALIFORNIA 94720-1108

September 10, 2009

Mr. David Botelho
Chief, Office of State Audits and Evaluations
Department of Finance
300 Capitol Mall, Suite 801
Sacramento, CA 95814

Dear Mr. Botelho:

We are in receipt of the draft report for the Department of Finance, Audits and Evaluations, fiscal compliance audit of the Sobriety Checkpoint Mini-Grant Program Grant Agreement AL0813. Our response follows.

Observation 1 – UC Berkeley Claimed \$82,213 in Unsupported Personnel Costs

Recommendation No. 1: UC Berkeley should develop and implement procedures to ensure personnel costs charged to the grant are based on actual costs incurred. Return the \$82,213 in unsupported personnel costs to OTS.

UC Berkeley Response:

UC Berkeley ensures that personnel costs charged to sponsored projects reflect the actual effort expended on the projects by the following the After-the-fact Activity Reports method required by OMB Circular A-21. Under the after-the-fact method, periodic effort reports are generated for each individual whose salary is charged to one or more federally sponsored projects during the effort reporting period. These effort reports indicate the percentages of the individual's total effort expended on sponsored project(s) and other University activities. Principal investigators, employees, or responsible officials are required to certify the effort reports after confirming that the distribution of activity represents a reasonable estimate of the work performed.

All of the \$82,213 of payroll expenditures identified in the audit as unsupported was included on individual employee effort reports which were certified by the grant's principal investigator, David Ragland, through the effort reporting process. His certification that the estimated effort reflected the actual effort expended on the grant was based on his first hand knowledge of the employees' activities for the period in question, as required by OMB Circular A-21. This after-the-fact certification verifies that the salaries and wages charged to the grant reasonably reflect the actual effort expended on those projects and is allowed by the federal government as an acceptable method for charging salaries and wages to sponsored agreements.

Because all of the \$82,213 in payroll expenditures were certified through the campus' effort reporting system, we believe that the identified payroll expenditures charged to the grant are adequately supported and do not need to be returned to OTS.

Observation 2 – UC Berkeley Claimed Ineligible Costs of \$1,968

Recommendation No. 2: UC Berkeley should establish procedures to ensure costs charged to the grant are allocated to the projects based on the proportional benefit received. Return the \$1,968 in ineligible costs to OTS.

UC Berkeley Response:

The UC Berkeley Traffic Safety Center (TSC) mistakenly assigned \$1,463 in consultant fees to the Click It Or Ticket (CIOT) program. The same consultant was working on software platforms for both the Sobriety Checkpoint and CIOT programs and, due to oversight, the incorrect code was assigned to the expense. The TSC has implemented new procedures to ensure the appropriate tracking and allocation of consultant work.

As for the \$505 in overtime costs, the TSC has modified its internal accounting system to aid in the identification of any erroneous assignment of grant numbers to overtime hours worked.

The \$1,968 in costs were appropriate charges to the CIOT program and were transferred from the Sobriety Checkpoint Program to the CIOT program that benefited from the incurred costs.

Thank you for the opportunity to review the observations identified during the audit and provide a response to the recommendations. If you have any questions related to the response, please contact Extramural Funds Accounting Compliance Manager Todd Vizenor at 510-643-6277 or t_vizenor@berkeley.edu.

Sincerely,

Original signed by:

Lori Cripps
Director
Extramural Funds Accounting

EVALUATION OF RESPONSE

The Department of Finance, Office of State Audits and Evaluations (Finance), received the University of California Berkeley's (UC Berkeley) response to the draft report. Our evaluation of the response follows:

OBSERVATION 1: UC Berkeley Claimed \$82,213 in Unsupported Personnel Costs

UC Berkeley asserts that the personnel costs charged to the grant were based on an after-the-fact method consistent with OMB Circular A-21. This system is based on a self certification process where the certifier, who has first hand knowledge of staff efforts, certifies that the *estimated* employee time billed to the grant was reasonable and appropriately charged to the grant.

The Office of Traffic Safety (OTS) Grant Program Manual, Section 4.4.1, states governmental entities may submit advance written requests to OTS for an exemption from the OTS Grant Program Manual requirements if they are using another federally accepted method of support. However, no information was provided that another federally accepted method was approved by OTS. Therefore, the requirements in the OTS Grant Manual apply.

The Grant Program Manual, Section 4.4.1, states personnel costs must be based on documented payrolls and approved by a responsible official of the agency. In addition, the distribution of costs to OTS grants must be supported by personnel activity reports (i.e. timesheets) for all professional and nonprofessional staff billed. For each employee, these reports must be prepared at least monthly and coincide with one or more pay periods. At a minimum they must contain:

- An after-the-fact determination of *actual* activities worked. We confirmed with OTS that *estimated* activities are not acceptable.
- All activities staff were compensated for whether grant related or not.
- Signatures of the employee and an official with first-hand knowledge of activities.

UC Berkeley does not track actual staff activities expended on the grant so that an after-the-fact determination can be performed of the actual activities worked in accordance with the Office of Traffic Safety (OTS) Grant Program Manual, Section 4.4.1. As a result, the actual staff activities expended on the grant cannot be verified. Therefore, Observation 1 remains unchanged in the report.

OBSERVATION 2: UC Berkeley Claimed Ineligible Costs of \$1,968

UC Berkeley concurs with Observation 2 and has agreed to adjust the grant for the \$1,968 of ineligible costs.